



WASHINGTON STATE  
GAMBLING COMMISSION

## Field Operation Rule Interpretation

Question: Can Raffle and Bingo Licensees obtain insurance for prizes to be awarded? Yes

Can the fee for the insurance be based upon a percentage of the gambling activity? No

CITE: RCW 9.46.120 – Restrictions on management or operation personnel – Restrictions on leased premises

WAC 230-12-223 – Prohibited practices – Leases and Compensation

### **SUMMARY:** Insurance for raffle and bingo prizes

#### **Issue:**

Charitable and non-profit organizations frequently seek insurance coverage to insure large prizes. The question that faces those organizations is how the fee for the insurance coverage should be determined. Insurance providers, on occasion, structure the fee for the coverage based upon a percentage of the gross receipts.

#### **Reasoning:**

Insurance coverage for larger prizes is a logical scheme for licensees to offer large prizes to their players. The insurance coverage lowers the licensee's risk of paying the large prizes before adequate revenue is available or depleting the organization's revenue unnecessarily.

RCW 9.46.120 states in part – "...no part of the proceeds of the activity shall inure to the benefit of any person other than the organization conducting such gambling activities..."

WAC 230-12-223(2) prohibits organizations from entering into agreements where compensation to any person taking part in the management or operation of such activity is based upon a percentage of the receipts or income derived from the operation of such game. The payment to such persons of compensation which is other than reasonable under the local prevailing wage scale for employment of a comparable nature shall create a presumption of a violation of this section.

#### **Decision:**

Based upon interpretations of RCW 9.46.120 and WAC 230-12-223 we do not allow contracts for prize insurance that are based upon a percentage of the gambling activity. We do allow the insurance of raffle prizes and bingo prizes based upon a flat fee or monthly fee.

Bona fide charitable and non-profit organizations will be considered in compliance with RCW 9.46.120 and WAC 230-12-223 as long as the fees for contractual agreements for insurance of raffle and bingo prizes are reasonable and within prevailing fee structures for similar insurance. In addition, the fee for the contractual agreements to cover raffle and bingo prizes cannot be based upon a percentage of the gambling activity, but must be a flat fee or monthly fee. The management and operation of the gambling activities will be under the control of the licensed organizations and shall not be a part of the contractual agreement with the providers of the insurance for the prizes. Bona fide charitable or non-profit organizations seeking prize insurance will not engage in contractual agreements with an insurance provider unless the provider is licensed to sell insurance in the state of Washington.

Approved:

*Cally Cass*  
Cally Cass, Assistant Director  
Washington State Gambling Commission

Date:

*7/15/05*